

**PABST BREWING COMPANY**

100 SHORELINE HWY. • BLDG. B, SUITE 395 • MILL VALLEY, CA 94941

YEORYIOS C. APALLASVice President
and General Counsel**By Federal Express**

April 20, 2006



SDMS DocID

2070478

Laura B. Janson, Chief
Cost Recovery Branch
USEPA, Region III
1650 Arch Street
Philadelphia, PA 19103-2029

Re: Sauer Dump Site, Dundalk, (Baltimore County) Maryland

Dear Ms. Janson:

I am responding to the recently arrived letter dated March 3, 2006, (copy enclosed) requesting information from the Pabst Brewing Company regarding the Sauer Dump Site.

Please be advised that your letter was addressed to Mr. Brian Kovalchuk who is no longer with the company. Thus, its delay in arriving on my desk.

I reviewed your letter request for information and checked our archival records and have been unable to locate any documents relating to this dump site or the two breweries mentioned in your document request. Therefore, I have circulated your letter to the current employees of Pabst who would be most knowledgeable about these matters and although my inquiries will continue, I have discovered only the following:

1. The National Brewing Company, (NBC) located in Baltimore, Maryland, was a competitor to Gunther Brewing Company and was in East Baltimore in the Canton Area. NBC shut down as an operating brewery in 1980 or 1981, according to our sales vice president, David S. Mahoney, who at one time worked for the NBC. He has no knowledge about the Gunther Brewing Company nor any dumping program run by both breweries.

2. According to Mr. Mahoney, NBC and Carling Brewing Company merged in 1976. He does not know whether it was a stock transaction, or an outright purchase of one brewery of the others assets or stock.

Laura B. Janson
USEPA, Region III
April 20, 2006

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3. Mr. Mahoney goes on to state that in 1979, G. Heilman bought the combined National Brewing/Carling operation.

4. In 1985-86 an Australian gentleman, Alan Bond, bought G. Heileman but he was not particularly effective in it operations.

5. Mr. Mahoney advises that the acquisition was no a profitable one and apparently G. Heilman filed for bankruptcy several times. In the early 90s, it came out of bankruptcy as G. Heileman Brewing Company once again. In 1994 it was acquired by Hicks, Muse, Tate & Furst, Inc. A copy of the Wall Street Journal article, commenting on the acquisition and that company's difficulties in running G. Heileman, is enclosed.

6. Unable to effectively compete in the brewing industry, G. Heileman sought out a partner in Stroh Brewery Company of Michigan. Apparently, Stroh bought G. Heileman in 1996. Our records do not indicate whether it was a merger or an asset purchase.

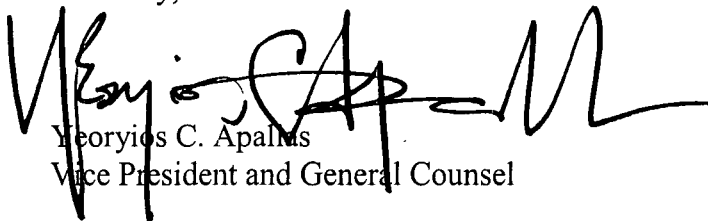
7. In 1999 Pabst Brewing Company acquired certain assets of Stroh Brewery Company. Among the labels it acquired were those that were part of the NBC, including National Bohemian ("Natty Boh" with the iconic mustachioed man winking) and Carling.

8. We are aware of no records that were transferred to us pursuant to the asset purchase agreement between Stroh and Pabst that would answer any of the questions that are addressed to us regarding the Sauer Dump Site. Our search, however, continues.

Although Pabst Brewing Company is a United States brewer, it currently has no brewing operations, relying instead, on contract brewing to secure its malt beverages. Three brewers provide 100% of Pabst's requirements. They are: Miller Brewing Company, Lion Brewing Company, and City Brewing Company.

I regret that I am unable to provide further information to you in response to your multi-page questionnaire. However, if you, or Ms. Joan E. Martin-Banks (3HS62), has any questions about the matters I represent in this letter, please call me at (415) 332-0550.

Sincerely,



George C. Apalms
Vice President and General Counsel

Cc: Ms. Joan E. Martin-Banks (3HS62)



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
Region III
1650 Arch Street
Philadelphia, Pennsylvania 19103-2029

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REC'D MAR 2 2006

MAR 3 2006

CERTIFIED MAIL; RETURN RECEIPT REQUESTED

The Pabst Brewing Company
Mr. Brian Kovalchuk, CEO
P.O. Box 792627
San Antonio, TX 78279

**Re: Overdue Response to Letter Requiring Submission of Information
Sauer Dump Site, Dundalk, (Baltimore County) Maryland**

Dear Mr. Kovalchuk:

On September 15, 2005, the U.S. Environmental Protection Agency (EPA) issued The Pabst Brewing Company ("you"/"your") a letter (*copy enclosed*) requiring you to provide information and/or documents relating to the above-referenced Site within 30 calendar days from your receipt of the letter. This letter was issued pursuant to Section 104(e)(2) of the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended ("CERCLA"), 42 U.S.C. § 9604(e)(2). It was received on September 28, 2005, signed for by C. Riddle (*green card enclosed*). Accordingly, your response was due on or before **October 28, 2005**. To date, however, EPA has not received your response.

NOTICE OF POTENTIAL ENFORCEMENT ACTION

EPA hereby advises you that your failure to respond fully and truthfully to each question, or to justify adequately your failure to respond, may subject you to an enforcement action by EPA, pursuant to Section 104(e)(5)(A) of CERCLA, 42 U.S.C. § 9604(e)(5)(A). This section authorizes EPA to issue an order directing compliance with an information request made under the statute "after such notice and opportunity for consultation as is reasonably appropriate under the circumstances." This letter constitutes such notice.

In addition, Section 104(e)(5)(B) of CERCLA, 42 U.S.C. § 9604(e)(5)(B), allows EPA to seek judicial enforcement of an information request and authorizes the federal district courts to assess a civil penalty not to exceed \$32,500 for each day of non-compliance. In recent decisions, courts have assessed significant penalties against parties which had not complied with EPA information requests.

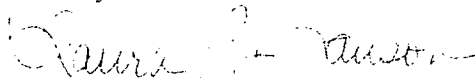
You must fully respond to EPA's September 15, 2005 letter or justify adequately your failure to respond within **seven (7)** calendar days from your receipt of this letter. This seven-day period, however, is not to be construed as an extension of the original deadline, and EPA may take enforcement action based upon your failure to respond to the initial information request letter in a timely and complete manner. All documents and information should be submitted to:

Ms. Joan E. Martin-Banks (3HS62)
U.S. Environmental Protection Agency, Region III
1650 Arch Street
Philadelphia, PA 19103-2029

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If you have any questions concerning this matter, please contact Joan E. Martin-Banks, Civil Investigator, at (215) 814-3156. Legal questions should be directed to Benjamin Cohan, Senior Assistant Regional Counsel, at (215) 814-2618.

Sincerely,



Laura B. Janson, Chief
Cost Recovery Branch

cc: Benjamin Cohan (3RC41)
Rich Rupert (3HS31)
Joe Arena (3HS31)
James Carroll, MDE

Enclosures: 1. September 15, 2005 Section 104(e) letter to
The Pabst Brewing Company
2. Green Card

Trouble Brewing: Hicks Muse Struggles With Heileman

LBO Firm Finds Running Regional Beer Maker a Heady Challenge

By LAURA E. KEETON

Staff Reporter of THE WALL STREET JOURNAL

Hicks, Muse, Tate & Furst Inc. is quickly discovering that beer isn't your basic beverage.

The Dallas leveraged-buyout firm had hoped to apply the same recipe for G. Heileman Brewing Co. that its chairman, Thomas O. Hicks, and his former partners used at Dr Pepper/Seven-Up Cos.: Take a struggling beverage concern and turn it into a small-brand powerhouse.

But Heileman, a LaCrosse, Wis., brewer of regional beers and malt liquors, has proved to be a difficult undertaking. Since Hicks Muse acquired it in early 1994, sales have lagged, key brands have lost market share and the company ran short of cash late last year. Unsatisfied with results, Hicks Muse changed the top executive twice in its first year of ownership.

Management Blunders

The turnover followed several management blunders at the brewer, including an attempt to roll out a raft of new beers when the brewer's current offerings were hurting. In January, Mr. Hicks took over the chairman's spot from William J. Turner, who also had been acting co-chief executive officer and president for the previous seven months. M.L. Lowenkron — former chairman of A&W Brands Inc., one of Mr. Hicks' past investments — was named president and chief executive.

"The first year was unbelievably poor. The people running Heileman did not have an understanding of the beer business and it showed," says Robert S. Weinberg, who runs a beer-industry research company.

Mr. Hicks also blames management mistakes for Heileman's problems, saying: "We corrected the mistakes with the people change."

But analysts say the buyout firm also may have greatly underestimated how competitive and fragmented the brewery business is.

Beer consumption is barely growing. The top three U.S. brewers—Anheuser-

Busch Co., Philip Morris Cos.' Miller Brewing Co. and Adolph Coors Co. — dominate the industry, and have been rolling out niche brands to combat the flat market. With smaller brewers also making in-

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roads, Heileman's share of the U.S. market last year was a scant 4.1%.

"The beer industry is a lot tougher than I think they had anticipated," says Martin Romm, a CS First Boston Inc. analyst.

In buying Heileman, Hicks Muse was attracted by its strong regional presence, with beers such as Lone Star in Texas and Rainier in Washington state, and its rank as the nation's fifth-largest brewer. Paying \$390 million, it got a brewer that had yet to fully recover from its trip through bankruptcy court in the early 1990s, following a failed \$1.3 billion leveraged buyout by Australian financier Alan Bond. About \$70 million came from Hicks Muse's fund and other investors; the rest was borrowed, to be repaid with the company's cash flow.

Tapping Into Losses

Last year, though, little turned out as planned. From Jan. 21, 1994, through the end of that year, the brewer posted a net loss of \$34.7 million. In 1993, Heileman had profit of \$16.7 million. Sales of Heileman brands sank 7.7% last year to 8.3 million barrels, according to Beer Marketer's Insights, an industry newsletter.

Worse for a heavily leveraged company, Heileman posted a loss of \$4.7 million before interest and taxes for the 1994 period, compared with 1993 operating profit of \$51.1 million.

The deficit left the company short of cash, requiring Hicks Muse to pump an-

other \$25 million into the company in January. The same month, Heileman renegotiated its debt agreements, allowing it to defer \$25 million in principal payments until after 1996. The company's 9½%

senior subordinated notes, due 2004, have fallen and now are trading for about \$650 per \$1,000 face amount, giving a current yield of about 15%.

At the root of last year's troubles were slumping sales of its most popular brands and wholesaler relationships still tarnished from the previous buyout. In one instance, Heileman settled with a group of California wholesalers who had filed suit alleging violation of distribution pacts.

Colt 45, Old Style Sales Down

Sales of the company's top two brands, Colt 45 malt liquor and Old Style beer, fell almost 8% and 17%, respectively, in 1994, reports Beer Marketer's Insights.

Old Style is indicative of the marketing problems Heileman has with its regional beers. It has solid name recognition in the Midwest, yet has an image as dad's old favorite when young people prefer micro-brews and premium beers.

Last year's response to this marketing problem was simple: More.

Rather than focus on specific niches, the brewer took a shotgun approach, rolling out about 30 additional products, such as Schmidt's Ice and Rainier Ice. "We went at a pace that was too fast," running up marketing expenses, says Mr. Hicks. Now, Mr. Hicks says, Heileman will add new products—but more slowly and methodically than last year.

For instance, the company recently

spent as much as \$10 million for a national roll-out of a pale ale, red beer, and ice beer under its premium Henry Weinhard's label. Beer Marketer's Insights says sales for Weinhard's, a label best known in the Northwest and West, shot up one-third last year, to 600,000 barrels. "If executed in the next two years, it can be a real success story," says Mr. Hicks.

Still, says William Leach, an analyst for Donaldson, Lufkin & Jenrette Securities Corp., "I would guess '95 will not be a very good year for them."

An Appetite for More Breweries

Long range, the brewer would like to acquire other second-tier or small brewers—a tactic that would be in keeping with Mr. Hicks' soft drink strategy.

But Heileman's cash position and sales make such a move implausible for now. The brewer slowed its drop in sales to 3% in the first quarter, but it still must staunch the decline and reduce its debt before it can consider other purchases.

Heileman may find its most promising venue for growth in AriZona Iced Tea, a line of non-alcoholic drinks it manufactures on contract for New York-based Ferolito, Vultaggio & Sons. Last month, the brewer reopened a Perry, Ga., facility exclusively for contract production.

AriZona, says Mr. Hicks, is "the good news that we weren't counting on." Because of the contract work, the brewer's total net sales increased 3.2% last year, to \$656.3 million. He says the companies are "examining a number of broad ways we can work together."

Heileman's trick now is to figure out how to copy the AriZona success while trying to score hits in an ever-more competitive beer battle. "Here you have a situation where the maneuvering room is very restricted," says Mr. Weinberg, the beer researcher, "and they have to come up with a strategy very unique to them. To date, they have not quite succeeded in that."